

ALAN LeBOVIDGE
CHAIRMAN

The Commonwealth of Massachusetts
Springfield Finance Control Board
436 Dwight Street
Springfield, MA 01103

March 7, 2006

Thomas Trimarco, Secretary
Executive Office for Administration and Finance
State House, Room 373
Boston, MA 02133

The Honorable Therese Murray, Chair
Senate Committee on Ways and Means
Commonwealth of Massachusetts
State House, Room 212
Boston, MA 02133

The Honorable Robert A. DeLeo, Chair
House Committee on Ways and Means
Commonwealth of Massachusetts
State House, Room 243
Boston, MA 02133

Dear Secretary Trimarco, Chairperson Murray and Chairperson DeLeo:

This report is being submitted, pursuant to sections 2 and 9(a) of Chapter 169 of the Acts of 2004 (the "Act"), to update the legislature on the activities and expenses of the Springfield Finance Control Board since its last report dated November 29, 2005. This letter will highlight what has been accomplished over the past year with specific mention of 2nd quarter activities.

During the past 90 days, the Board has continued its commitment to encourage fiscal responsibility and accountability. The Board has taken the following specific steps to restore Springfield's financial health.

Collective Bargaining

The City and the Board were dealt a hard blow when Massachusetts Superior Court Judge Constance Sweeney determined that in 2003 then Mayor Albano did not follow the procedures set out in chapter 656 of the Acts of 1989 to institute a wage freeze upon teacher salaries. The Judge specifically reserved and did not address the implications stemming from the imposition of a Control Board, and its determination to impose a wage freeze in succeeding fiscal years. It is currently estimated that the back wages owed the teachers pursuant to Judge

Sweeney's decision amount to \$2,900,000 for fiscal year 2004. In its implications, as applied to FY04 through FY06, the back wages owed teachers could amount to \$8,900,000. If the reasoning of the Court were applied to all unions in the City, the back wages owed could amount to an additional \$14,700,000. It is anticipated that once Judge Sweeney makes her determination as to damages, the City will likely appeal the decision.

The Board continues to negotiate with the largest City unions, the Springfield Teachers Association, the International Association of Fire Fighters Local 648, and the International Brotherhood of Police Officers Local 364.

Budget Update

The City continues to work within the existing fiscal year 2006 budget adopted by the Control Board on June 29, 2005, which projected a deficit of \$6.5 million, down from \$21 million in FY05. Current variances – by as much as \$3M - from the projected deficit are being anticipated due to rising energy, heating and fuel costs, and the impact of the Sweeney decision. Currently, the City has borrowed \$22,625,000 from the \$52,000,000 Springfield Recovery Trust Fund with a maturity date of December 29, 2006.

Department Studies

To date the Control Board has undertaken and completed operational assessments of the Police Department, the Fire Department, the Department of Public Works, all On-Street and Off-Street Parking, the School Department, the Assessing Department and the City Clerk's Office, while a review of the Purchasing Department and the Treasurer/Collector's office are both currently underway. All of these efforts are geared towards automating services, increasing efficiency, and producing a higher level of service to the taxpayer. Most importantly, over time, by investing in existing staff through training and advancement where we can, and by making other appropriate changes, we will lower the long-term cost of services in the City while improving the level of services enjoyed by the community.

The Chief Financial Officer and the Chief Information Officer of the City continue to overhaul the City's computer technology and outdated management information systems, including the improvements currently underway for our employee benefit and payroll services, automating financial reporting and creating a citywide intranet. Recently the City began issuing payroll checks through an outside services, providing a more cost effective service, greater amenities such as direct deposit at all financial institutions to its employees while providing the city with its first comprehensive personnel system.

A major need is for an integrated financial management system. Currently it needs to be bid. The estimated cost is \$3 – 4 million over two years.

Office of Community Development Initiative

The Board recognizes that in order to raise tax revenues to help pay for the increase in the cost of existing programs and to attract new business to the City, it must take steps to remediate blighted and unattractive structures and empty lots. To that end, the Board has allocated \$1.9 million to the Blight Strike Force, a committee of representatives from the Housing, Community Development and Planning Departments and the Mayor's Office, established to enforce existing blight ordinances, clean up rubbish infested and overgrown properties of delinquent owners and demolish buildings that cannot be saved through enforcement.

Revenue Collection/Foreclosures

In order to foster the collection of unpaid taxes and assessments, the Board is considering an Urban Pioneer Ordinance enacted pursuant to Chapter 60, section 62A of the General Laws, reducing the large numbers of tax delinquent, vacant or blighted houses and promoting urban pioneers to become residents of the targeted neighborhoods of the City. The ordinance provides that when buying a home in one of the targeted areas that individuals can enter into five year municipal a tax repayment agreement, which forgives up to 50% of the interest owed so long as they remain in residence for five years.

As you may recall, the Board entered into a contract with JER Revenue Services of North Haven, CT to collect delinquent property taxes. Since March 2005, JER has collected \$8.65 million of the \$43.0 million portfolio currently assigned to it, which amounts to roughly \$865,000 per month. In the process it has successfully resolved 1,323 accounts, or approximately 31% of the total number of accounts it has been assigned and is currently processing a total of 644 tax title foreclosures through the Land Court.

Currently the City is owed \$ 5,132,716 in back parking tickets. As a result, the Control Board has retained Municipal Management Associates, Inc. (MMA) as a deputy collector to pursue collection of these unpaid parking tickets. From August 1, 2005 through January 31, 2006 MMA collected \$303,205.45 on these tickets older than one year.

Finally, the City has awarded a contract to Kelly and Ryan to collect delinquent personal property taxes for tax years 1980-2005.

Control Board Expenditures

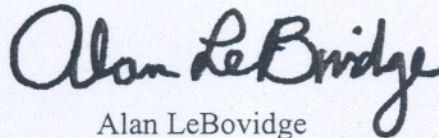
Details of the expenditures of the Board for the 2nd quarter of fiscal year 2006 are shown in the table below. This table reflects expenses processed through the Commonwealth's account system as of December 31, 2005.

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Personnel Services	\$ 105,457.00
Equipment & Administrative	\$ 41,330.74
Contracted Services	\$ 388,240.79
Total	\$ 535,028.53

In this next fiscal quarter, we will continue to address our biggest priorities, which are finalizing labor contracts with the police, fire and teachers' unions, and we look forward to reporting to you our estimated budget for this fiscal year.

Sincerely,



Alan LeBovidge
Chairman
Springfield Finance Control Board